DCMC Guide To Unit Cost

Employee Handbook

September 1997

DCMC Guide To Unit Cost

Table of Contents

DCMC GUIDE TO UNIT COST

Introduction

The purpose of this guide is to introduce the DCMC unit cost system, related PLAS capabilities, and fundamental unit cost principles. DCMC's goal is to establish the most effective, accurate unit cost system possible. Complete and accurate reporting of hours for unit cost purposes into PLAS by every DCMC employee is essential in order to achieve that goal. The aim of this guide is to help all employees understand DCMC's unit cost mission and to do their part to contribute to the mission simply and effectively.

SECTION 1: UNIT COST CONCEPTS AND DCMC

SECTION OVERVIEW: This section will review basic unit cost principles and put unit cost management in the context of the mission of DoD and DCMC. This section will also provide an overview of how implementing the unit cost system will affect daily activities.

SECTION OBJECTIVES:

- Identify unit cost formula
- Identify objectives of DCMC unit cost system
- Overview of how the unit cost system will affect daily activities

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WHAT IS UNIT COST?

Unit cost is the basis for a method of financial management that focuses on relating an organization's total cost to the work (or output) it produces. The term "unit cost" refers to the "average total cost" of producing one unit of "output." Output means work accomplished by an organization's operations—a product (either a good or a service) produced to satisfy customer demand. Output results from combining specific resources ("inputs") such as labor or material, in a particular manner so as to transform the inputs into the goods or services demanded. The cost of producing some specific amount of output is determined by first identifying and adding all the costs (inputs) associated with producing that amount of output. The sum of all the costs (inputs) associated with producing a specific amount of output is the total cost of that amount of output. These total costs, accrued over a specific period of time, are then divided by the number of units of output produced during the same time (the unit volume). The result is the average cost per unit of output, or the "unit cost."

Total Cost (Inputs) ÷ Total Output = UNIT COST

Example: George's Tune-up Shop specializes in performing engine tune-ups for high-performance American sports cars. George's does 24 tune-ups per week. It requires $600 of labor, $1250 in parts, and $550 in overhead (facilities and equipment costs) to perform that volume. What is the unit cost of a tune-up? $100

- $600 + $1250 + $550 = $2400
- $2400 (total cost) ÷ 24 "units" (total output) = **$100/unit**

Unit cost-based accounting is applicable to many organizations, whether operations are funded by direct appropriations or financed by a revolving fund. Unit cost was introduced DoD-wide in 1989. In order to apply unit cost principles, an organization must be able to identify and quantify its customer-driven outputs and have a system to align costs to these outputs. Support organizations tend to fit these criteria well. To properly understand unit cost, we must understand what is meant by "output" and what and how costs are included in "total cost."

OUTPUTS

The key to identifying outputs is to focus on what an organization does. For example, the output of a training school might be identified as a pilot who has completed a particular course. The output of a financial center might be an invoice paid. In many organizations, however, the situation is more complex. An organization's operations may produce more than a single product or homogeneous output. For example, a training school trains navigators, bomber pilots, attack pilots, ground crews, etc., while the finance center pays bills, maintains account balances, produces internal and external reports, etc. Arguably, each of these is a different output calling for different mixes and types of labor skills, materials and capital (equipment, etc.), resulting in different total cost and unit costs. Where this is the case, it may be necessary to aggregate several similar types of outputs for unit cost purposes or to employ a proxy output measure to represent outputs that are impractical to count individually. However outputs are characterized, it is essential that the output measure chosen represent the inclusion of all tasks performed to produce it.

TOTAL COST

The next step in employing unit cost is to identify all of the costs incurred by the organization and to align them with the appropriate outputs, a process called "mapping." There are many ways to classify costs—they can be grouped by function, timing and controllability, among other ways. Managers find grouping (viewing) costs by traceability and behavior especially useful. Unit cost is a move to more business-like accounting. Businesses rely on linking or tracing costs to outputs, and managerial or cost accounting provides managers this information. Management accountants strive to establish causal relationships between costs and cost objects to determine why costs were incurred. The process of tracing costs to cost objects forges a necessary link so that ultimately, we can relate costs to outputs, even if at an aggregated level. To enable treating costs in this manner, in DCMC unit cost, costs are categorized as direct or indirect. The sum of these categories equals total cost. Identifying costs as direct or indirect permits decision makers to understand the impact of each category of costs on the overall cost to produce a product or service.

Direct Costs + Indirect Costs = TOTAL COST

- *Direct costs* are those costs that can be traced directly to a product, such as hands-on labor or material consumed directly in the production of an output. They tend to (but do not always) change proportionally with the quantity of output.

- *Indirect costs* are costs that cannot reasonably be associated with any particular product or service produced, and must be allocated over all outputs. These include general and administrative costs, as well as functions such as local comptroller, security, facilities, engineering, fire protection, custodial services, snow removal, and similar types of base support functions.

MAPPING

The mapping process brings workload, financial and manpower data together to assign direct costs and allocate indirect costs to specific outputs. In the mapping process, cost data collected from the official accounting systems are grouped together by cost account codes. The costs are linked to particular outputs. This process results in cost-output relationships that provide management visibility of the total cost for a given output. The mapping for an activity should be continuously reviewed and updated in order to reflect accurately any changes occurring.

WHY ARE WE USING UNIT COST?

The use of unit cost principles promotes cost-awareness, efficient use of resources, and, ultimately, more value for each defense dollar spent. It does so by providing **visibility** of all costs incurred by an organization and relating those costs to outputs, which is consistent with the Government Performance and Results Act. Cost visibility, and the costs-output perspective, give decision-makers better, more meaningful information about operations—a critical tool to effectively and efficiently manage resources.

Although calculating and knowing the actual unit cost per output is an essential element of managing under unit cost, this by itself cannot answer the question "How well are we doing?" To address this question, unit cost information is used to develop a financial benchmark, the **unit cost goal**. The unit cost goal represents the corporate expectation of "should cost." It is the **maximum** average total cost to be incurred in the production of an output. To derive the goal, all projected costs (direct and indirect) associated with an output are divided by the expected number of units of output (workload). The unit cost goal is based on historical data, adjusted for known and anticipated changes in the budget year—such changes may be based on expected increases for the cost of inputs, increased productivity based on improved processes (including new technology), and so forth. The expected quantity of output is based on anticipated demand. Properly used, unit cost helps to target areas needing management attention, promotes creative management, highlights efficiency, and provides a common framework to evaluate support activities.

Use of unit cost principles also provides the information required to evaluate and

implement alternative financing options. In 1996, the OSD initiated a study to determine if DCMC should operate under Defense Working Capital Funds ("DWCF"), under which our Military customers would receive funds to purchase our services. The joint OSD, DLA, DCMC team chartered to evaluate the suitability of DWCF resolved that it is necessary for the Command to move from a budgeting type funds management to a Unit Cost financial management system before making a determination on funding alternatives. The alternate funding methods being considered are DWCF, reimbursable, Operations & Maintenance (our current method of funding) or a combination of the above. An accurate customer focused unit cost system in DCMC is the first step in preparing for alternative financing.

DCMC's UNIT COST OBJECTIVES:

- Provide full **visibility** of the costs of doing business—allows DCMC and customers to know cost of outputs, and facilitates improvements in DCMC processes and communication with our customers.

- Focus on the costs of doing business as the basis for determining and allocating resources and provide tools for **better resource management**.

- Increase the ability to **measure productivity** and value to the customer.

- Improve financial management and accountability--management will have uniform and detailed information to manage operations as well as to **predict** the future.

The use of unit cost principles moves DCMC toward modern business practices, better meeting today's work place challenges. It is consistent with the implementation of the Government Performance and Results Act, changes arising from the National Performance Review, and other initiatives designed to create a government that works better and costs less.

THE NEW DCMC UNIT COST SYSTEM

The DCMC Unit Cost Team has been working throughout FY 1997 to identify and track customer driven outputs and to develop techniques to collect and analyze the costs associated with producing those outputs. The team has developed a few new features and key changes to our unit cost system, as well as some tips for using the new system effectively, based on information collected and analyzed from the system pre-test. The new system will be tested DCMC-wide for one year beginning Oct. 1, 1997.

PROCESSES

In reporting into PLAS for unit cost purposes, DCMC employees are helping the Command to track its costs (inputs) -- specifically, labor, which is the single largest DCMC cost. The starting point in determining how this type of cost behaves continues to be the tracking of processes performed by employees. Some changes, new features and tips to facilitate accurate reporting will be discussed later in this guide.

MAPPING--UNIT COST "POOLS"

DCMC's unit cost system will now focus on "unit cost pools" -- areas of our business operations, to which each process will be mapped. The unit cost pools convey another level of information about our operations. The pools, and the method for mapping processes to them, are discussed in Section 3 of this Guide.

CONTRACT KIND

"Contract kind" refers to the category of contract for which an employee performs a process, such as supply, research and development, or systems acquisition, as defined in the Mechanization of Contract Administration Services (MOCAS). Identifying contract kind is a useful way to "break out" Basic Contract Administration Services (Basic CAS)--to gain additional perspective on the behavior of these types of work efforts, in a way that is useful to our customers. Personnel will only have to identify the kind of contract being worked on when the process they perform is a direct process that falls within the Basic CAS group of pools. As with all of the unit cost information to be entered in PLAS, for contract kind information to be useful, it must be reported correctly. Contract kind is discussed further, and guidance for properly entering contract kind information is provided in Sections 4 and 5 of this Guide.

SECTION 2: REPORTING TO DIRECT AND INDIRECT PROCESS CODES

SECTION OVERVIEW: This section will explain the importance of reporting to the proper direct or indirect processes. It will also provide examples of proper charging.

SECTION OBJECTIVES:
- Define direct and indirect process codes
- Identify frequently misreported codes

Accurate PLAS reporting of our labor hours into direct and indirect processes is absolutely essential as we transition to unit cost management in DCMC. The key factor to consider when reporting time is whether or not the time spent can reasonably be charged to a direct process. If it can, it should be recorded that way. This approach gives the Command the most accurate information about the true cost to perform each and every process.

Many common work activities are erroneously charged to general indirect processes such as data collection or special projects, but often they should be charged to the specific process which the work supports. Usually the requirements for data collection, special projects, automation initiatives, and other similar activities is rooted in our accomplishment of direct processes and should be recorded under those functions whenever possible.

Example: Time spent on an automation initative to support contract termination for convenience would be appropriately charged to 172 - Termination for Convenience, and not to 212 –Systems/Communication Support (Non-Process Specific).

Example: Time spent supporting a District Staff request to collect data about plant clearance cases would be appropriately charged to 105 - Plant Clearance, and not to 192 - Special Projects and Data Collection (Non-Process Specific).

Example: Time spent for budget-type activities would be appropriately charged to 221 - Formulate/Execute Budget, and not to 192 – Special Projects and Data Collection (Non-Process Specific).

It is important that we give ourselves credit for direct hours whenever appropriate. The only activities that should be charged to the more generic PLAS codes other than direct processes are those that are clearly outside the scope of our core mission areas.

Example: Time spent participating in the Defense-Wide Savings Bond Campaign would be appropriately charged to 192 – Special Projects and Data Collection (Non-Process Specific), because no other PLAS code is available to track this activity.

Keep in mind that the number one PLAS reporting rule is ***"Charge to the process code you are supporting,"*** which could be a direct or indirect process. The key to proper charging is to recognize and understand how your individual effort contributes to the output being produced by you or your Team. In most cases, identification of the ***output or purpose*** of the work helps to identify the correct process code to report to. The question may also be stated as, "What One Book Chapter would I look to for guidance on this activity?"

Examples of indirect PLAS process codes that are ***frequently*** misreported:

191	Plans and Policy Deployment (Non-Process Specific)
192	Special Projects and Data Collection (Non-Process Specific)
196	Other Legal Support (Non-Process Specific)
212	Systems/Communication Support (Non-Process Specific)
500	Other Activity/Effort (Non-Process Specific)

The most common reporting error is charging to one of the above non-process specific processes when the work performed is actually in support of a specific DCMC direct or indirect process.

If a person charges to 500 – Other Activity/Effort (Non-Process Specific) when typing a Preaward Survey or tracking the organization's budget dollars, that charge is incorrect in both of these instances because the specific process being supported should be charged. The first should be charged to 021 - Preaward Surveys; the second to 221 - Formulate/Execute Budget.

Remember, what drives the final process code selection is not the physical work that is done, but the process that the work was performed for. **Charge to the process you are supporting!** If the work effort supports many or all processes, then charge to the non-process specific indirect code which best describes the nature of the duties performed.

SECTION 3: UNIT COST POOLS

SECTION OVERVIEW: This section is designed to explain about unit cost pools and mapping and how they relate to each other. It also includes a draft crosswalk showing how today's PLAS process codes will be aligned with the unit cost pools.

SECTION OBJECTIVES:

- Explain unit cost pools
- Explain mapping of One Book processes to pools
- Review crosswalk

The unit cost system being tested throughout DCMC consists of sixteen (16) pools. These pools were created to be used by DCMC and our customers to look at our products and services. Breaking the processes down into pools allows everybody to know exactly what is being done and where the money is going. The initial pools are:

- Basic CAS for Supply Contracts and Priced Orders
- Basic CAS for Research & Development Contracts
- Basic CAS for System Acquisition Contracts
- Basic CAS for Maintenance Contracts
- Basic CAS for Service Contracts
- Basic CAS for Facilities Contracts
- Basic CAS for Undefinitized Letter Contracts
- Basic CAS for Unpriced Orders Against BOAs
- Basic CAS for BOAs/IDIQs (Other)
- Basic CAS for Subcontracts/Delegations
- Basic CAS Not Specific to One Contract
- Precontract Activities
- Mandatory Product Audits
- System Reviews
- Other CAS (Contingency CAS)
- General Management

Mapping is a tool used along with unit cost and the different direct and indirect processes. Mapping is a method of aligning costs to individual outputs. This process brings workload, financial and manpower data together to assign direct costs and allocate indirect costs to specific outputs. In unit cost development, costs and outputs are related or aligned by using this "mapping" process.

Below is a draft crosswalk, displaying how today's PLAS process codes will be aligned with the Unit Cost pools:

Basic CAS Pools (applies to all 11 Contract Kinds)

002	Process Improvement Management/Process Oriented Contract Administration Services/PROCAS
003	Voluntary Disclosure Process under PROCAS/Process Improvement Management
008	International Agreements/International Memoranda of Understanding, Host Country Contract Administration Services
009	Selection, Appointment, and Termination of Appointed Officers
031	Contract Receipt, Review and Postaward
032	Letter Contracts
033	Administration of Orders/Basic Ordering Agreements
034	Firm-Fixed-Price, Level of Effort Term Contracts
035	Incentive and Redeterminable Contracts
036	Time-And-Materials and Labor Hour Contracts
037	Administration of Grants
038	Program Integration
041	Proposal Analysis
041A	Technical Support to Negotiations
042	Should Cost Reviews
043	Forward Pricing Rates, Factors and Formulas
044	Establishing Final Overhead Rates
045	Price Negotiations
046	Contract Modifications
046A	Delivery Extensions
047	Novation and Change of Name Agreements
048	Provisioning
049	Over and Above Process
050	Order Issuance
051	Contract Management Boards of Review
052	Contract Audit Followup
053	Defective Pricing
054	CACO/DACO
061	First Article Testing and Approval
062	Configuration Management
062A	Engineering Change Proposals
062B	Material Review Board
062C	Waivers and Deviations
063	Authorizing/Accepting Shipments
064	Flight Operations
065	Warranties

066 Deficiency Reports
067 Government-Industry Data Exchange Program
068 Level 1/Subsafe Source Certification Process
069 Engineering, Design, and Development Evaluation
070 Contractor Performance Measurement
071 Surveillance of Software Development
072 Integrated Logistics Support
073 Value Engineering
074 Test and Evaluation Management
075 Reliability and Maintainability
076 Work Measurement
078 Industrial Labor Relations
079 Deliverable Technical Data
080 Defense Priorities and Allocations System
081 Product and Manufacturing Assurance
081A Manufacturing Process Surveillance
081B Contract Delivery Surveillance
081D Non-Mandatory Product Audits
081E Reinspection Standby
082 Process Corrective Action
091 Subcontract Management
092 Consent to Subcontracts
101 Administration of Facility Contracts
103 Providing Agency-Peculiar Property Under Bailment Agreements
104 Loss, Damage, or Destruction of Government Property
105 Plant Clearance
111 Monitoring Contractors' Cost
119 Notice of Intent to Disallow or Not Recognize Costs
131 Shipment Review/Cost Analysis
132 Transportation-Shipment Processing
133 Shipment Loss and Damage Prevention Program
141 Public Vouchers
142 Voluntary Refunds
143 Advance Payments
144 Financial Surveillance
145 Progress Payments
146 Limitations of Cost or Funds for Cost Type Contracts
151 Travel by Contractor Personnel
152 Customs and Duties
153 Rights in Technical and Other Data and Copyrights
154 Patents and Royalties
155 Domestic Content Restrictions
156 Disputes and Appeals
157 Improper Business Practices
158 DoD Parts Control

159 Industry Security
160 Contract Safety Requirements-Ammunition, Explosives, and Other Post Award Hazardous/Safety Requirements
162 Environmental Support
171 Termination for Default
172 Termination for Convenience
181 Contract Closeout

Precontract Activities

010 Participate/Support DoD Industrial Base Program
012 Early Contract Administration Services Involvement
012A Early CAS Acquisition Strategy and Planning
012B Early CAS RFP Development or Contract Structuring
012C Early CAS Source Selection
012D Early CAS Sole Source Preaward Teaming
012E Other Early CAS Processes
013 Deviations from FAR, DFARS, DoD Directive, or DLAD 5000.4
021 Preaward Surveys
022 Qualified Products List/Qualified Manufacturer List

Mandatory Product Audits

081C Mandatory Product Audits

System Reviews

077 Manufacturing Technology Program
093 Small and Disadvantaged Business Subcontracting Plans
094 Contractor Purchasing System Reviews
102 Property Control System Analysis
112 Contractor Estimating System Review
113 Material Management and Accounting System
114 Compensation System Review
115 Cost Accounting Standards
116 Contractor Insurance/Pension Reviews Program
117 Contractor Accounting Systems Reviews
118 Automatic Data Processing Equipment Reviews
134 Contractor Packaging Capability Reviews
135 Contractor Traffic Management Delegation Program
161 Contractor Ethics Program Reviews

Other CAS

014 Contingency Contract Administration Services (CCAS)

014A Operational Contingency Contract Administration Services (CCAS)

General Management

004 Customer Outreach
005 Reimbursable Business Development
006 Reimbursable Contract Administration Services
011 Assessment Architecture Process
191 Policy and Plans Deployment (Non-Process Specific)
192 Special Projects and Data Collection (Non-Process Specific)
194 Public Affairs/Communication
196 Other Legal Support (Non-Process Specific)
211 Acquisition, Facility and Property Management
212 Systems/Communication Support (Non-Process Specific)
213 EEO Issues
214 Union Issues
221 Formulate/Execute Budget
223 Human Resource Management
500 Other Activity/Effort (Non-Process Specific)

In addition, the following costs will be collected and aligned with the appropriate Unit Cost pool:

217 Other Training
217A Develop/Conduct Training
217B Training Administration
217C Attend Classroom Training
217D Attend Computer-Based Training (CBT)
217E Attend Satellite/Video/VideoTeleconference Training
250 Travel

Note Training Code Revision: 9/3/97

SECTION 4: CONTRACT KINDS

SECTION OVERVIEW: This section will introduce DCMC employees to the concept of contract kind and how to determine contract kind.

SECTION OBJECTIVES:

- Define contract kind
- Identify contract kind-PLAS codes
- Identify how to determine contract kind

DCMC's Unit Cost Team has examined several alternative ways to further "break out" the information collected to better define DCMC's outputs. This is done by grouping like processes together to help predict future operating costs and to obtain a more detailed picture of the information collected in PLAS. After extensive research the team determined that the best way to obtain this information was to separate the contracts based on the product or service that the contract represented. In order to verify whether normal patterns of process charging in PLAS could be associated with each "kind" of contract, and whether collecting that information can effectively serve as the basis to calculate a unit cost, the Team conducted a Pre-Test at 11 DCMC sites using a modified version of PLAS. By using contract kind as the discriminator, the team was able to segregate the information collected in PLAS.

A standardized set of codes have been installed in PLAS for collection of data at all DCMC locations. These codes reflect the existing contract kinds as listed in DLAM 8003.3, MOCAS Users Manual for Contract Administration, which match those listed in DoD 4000.25-5-M, Military Standard Contract Administration Procedures (MILSCAP), and DP 201, Initial Contract Input Draft (DFAS Desk Procedures). Please note these MOCAS codes are preceded by the number "0" for unit cost test purposes, in order to make their field length compatible with the PLAS functionality/screens. In addition, we have added two (2) non-MOCAS codes for reporting situations where use of a specifically listed MOCAS code is inappropriate. The non-MOCAS codes are not official contract kind codes, but will be used for unit cost test purposes.

CONTRACT KIND CODES

(MOCAS)

01 - Supply Contract and Priced Order
02 - Research & Development Contract
03 - System Acquisition Contract
04 - Not Used
05 - Maintenance Contract
06 - Service Contract
07 - Facilities Contract
08 - Undefinitized Letter Contract
09 - Unpriced Orders Against BOA
00 - BOA/IDIQ (Other)

(Non-MOCAS)

11 - Subcontract/Delegation
12 - Not Specific to One Contract

CONTRACT KIND GUIDELINES--How Do I Know One When I See It?

The contract kind reflects the basic intent of the contract such as the procurement of supplies, research, maintenance, etc. It is best described by the type of commodity or service being offered. There are several ways to determine the kind of contract being worked on.

The first way to identify the kind of contract is to review the face page of the contract for the contract kind designator. If not there, then review the "Schedule of Supplies/Services", end item description, or terms and conditions of the contract:

- Supply Contract and Priced Order (MOCAS Kind Code 1): e.g., gear, parts, repair kits, caps, boots, components, spares, weapons subsystem; Generally supply contracts are fixed-priced.

- Research & Development Contract (MOCAS Kind Code 2): e.g., contractor design, development, testing, prototype, research and data; Generally research & development contracts are cost-type.

- System Acquisition Contract (MOCAS Kind Code 3): e.g., major systems (SADARM, V-22 OSPREY, AMRAAM, JSTARS, TITAN IV, etc.) DoD ACAT I and II Programs; Generally total expenditures are estimated to be greater than $115 million. Only prime contracts in support of a

major system should be recorded as a system acquisition contract. If the work being performed is for a subcontract or delegation in support of a major system, the contract kind should be recorded as a subcontract/delegation.

- Maintenance Contract (MOCAS Kind Code 5): e.g., repair, overhaul

- Service Contract (MOCAS Kind Code 6): e.g., engineering/consulting services; Generally the primary purpose is to perform an identifiable task rather than to furnish an end item of supply.

- Facilities Contract (MOCAS Kind Code 7): e.g., building, equipment rental, maintenance of facilities; Ninth position of PIIN will always be an "E". Many times a facilities contract is issued to support a major system acquisition. In these instances, the contract kind would still be recorded as a facilities contract, and not as a system acquisition contract.

- Undefinitized Letter Contract (MOCAS Kind Code 8): e.g., looks like a letter and serves as a "pre" contract for the contractor to begin work, when negotiating a definitive contract is not possible.
Note: Will be recoded to another contract kind after definitization

- Unpriced Order against BOA (MOCAS Kind Code 9): e.g., identified by the words "unpriced", "monetary limitation", etc. All prices and schedules will be input as estimated.
Note: Will be recoded to another contract kind after definitization

- BOA/IDIQ (Other) (MOCAS Kind Code 0): e.g., Basic Ordering Agreement; Ninth position of PIIN will be an "A" or "G", with no orders (SPIINs) against it. Indefinite Delivery/Indefinite Quantity contract; Ninth position of PIIN will be a "D", with no orders (SPIINs) against it - also called a requirements contract.

- Subcontract/Delegation: e.g., any subcontract work that is in support of a prime at another DCMC location; prime delegations for support, e.g., QA-only, Property-only, etc. This contract kind should be used only when performing the actual support activities. Time spent issuing delegations (Process Code 091 - Subcontract Management) should be recorded under the applicable MOCAS contract kind of the prime contract.

- Not Specific to One Contract: e.g., the work being performed applies to multiple contracts covering multiple contract kinds, such as review of contractor common processes, review of rate factors, monitoring of costs, technical system reviews, safety, and administrative high-volume items (DD 250 input, abstract review).

A second way to identify the kind of contract is to review the following MOCAS data:

- UNMD040A, Contract Abstract - New Contract/Short Abstract
- UNMD040B, Contract Abstract - Production
- UNMD040D, Requested Abstract Reply
- MOCAS On-Line Inquiry
- MOCAS download by Contract Number (Note: User-defined customized report using COMPASS, SPECTRA, Impromptu, or other query tool)

SECTION 5: PLAS SUPPORT TO UNIT COST

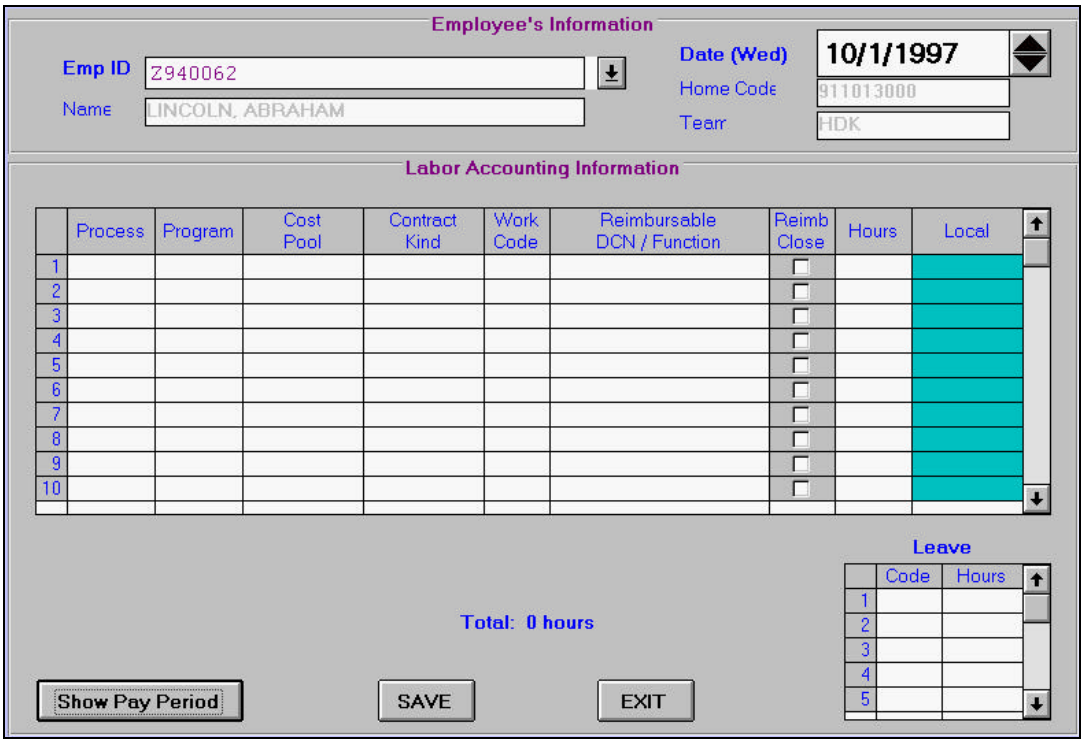
SECTION OVERVIEW: This section will introduce major areas of change in PLAS reporting due to the implementation of the Unit Cost test. PLAS's Timecard Information Screen and the way you enter information into PLAS has changed.

SECTION OBJECTIVES:

- Describe use of new PLAS reporting features
- Explain new Unit Cost Columns and Reporting Rules

The Performance Labor Accounting System (PLAS) is DCMC's tool for collecting crucial budget and management information about how employees allocate their normal workdays to mission processes, indirect support effort, special projects, and specific customer-oriented programs. PLAS furnishes a set of processes derived from the One Book against which you may charge your time on a daily basis. Your Timecard Screen entries provides the basis for all of the performance management information derived from PLAS, and for Unit Cost.

An example of the new Unit Cost Timecard Information Screen is shown below:



For FY98, you may have noted that the PLAS Timecard Screen has had several modifications. Changes to the Reimbursable data fields were made to accomodate the DCARRS/PLAS interface, and other changes have been made to improve overall PLAS system operation. These changes do not affect Unit Cost reporting.

REMINDER: During the Unit Cost test, normal rules for charging to PLAS process and program codes continue to apply, as well as instructions for reporting of reimbursable Document Control Numbers (DCNs).

Two New Unit Cost Fields For FY98 PLAS

1. For Unit Cost test reporting, the major difference is the addition of two new fields to display unit cost information - ***only one of which requires employee input***, and even then, ***not all charges to PLAS will require entry*** of Unit Cost data.

1. Cost Pool Column - This column identifies the specific DCMC Cost Pool associated with the Process code you selected. It is automatically displayed on the screen. The Cost Pool field informs you which particular DCMC cost pool your effort is being charged to.

	Process	Program	Cost Pool
1	031	HQ001	BasicCAS
2	022	NN036	PreContrct

In this example, the employee made two charges:

Line 1 shows a charge to PLAS Code 031 - Contract Receipt, Review and Postaward, which is one of many PLAS codes in the "Basic CAS" Cost Pool, and,

Line 2 shows a charge to 022 - Qualified Products List/Qualified Manufacturer List, which is one of the codes in "PreContract Activities".

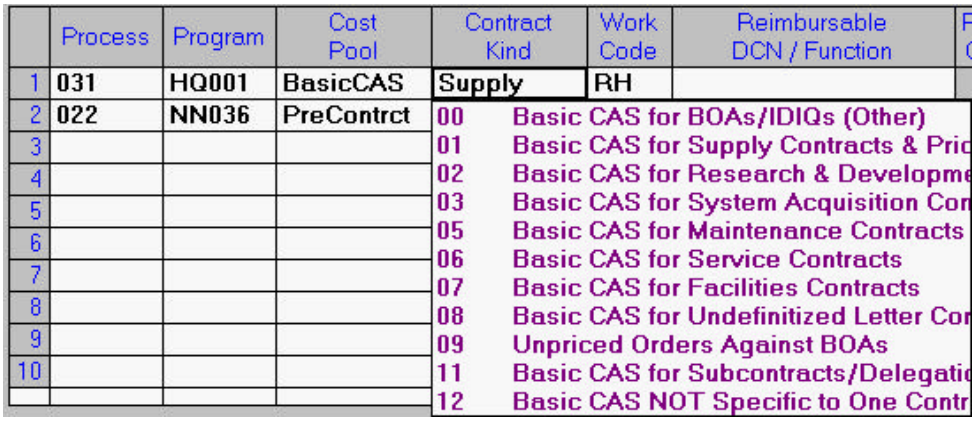
Note that* PLAS *Automatically entered "*Basic CAS*" and "PreContract" for you!

2. **Contract Kind Column** - Data in this column **will** require input by the user to complete a Unit Cost entry, but only ***when certain conditions apply*** - such as when Basic CAS is involved. Because PLAS can identify the Cost Pool, the system will prompt you for an entry in the Contract Kind Column before saving. When it is not mandatory, the field is greyed out as shown in the example below:

	Process	Program	Cost Pool	Contract Kind
1	031	HQ001	BasicCAS	Supply
2	022	NN036	PreContrct	

"Greyed" Out

All data is entered from a pulldown window, like many other PLAS codes:



When NOT Greyed Out - Double-clicking on the 'Contract Kind' cell displays the pulldown menu listing the Contract kinds. Note that in this example, Kind 01 - Basic CAS for Supply Contracts & Priced Orders was selected and inserted in the column.

When is Contract Kind Reporting Required?

Contract Kind reporting for DCMC's Unit Cost system is required only for "Basic CAS" and for Training and Travel, which are described in detail in Section 6 which follows. That means that for most charges, you are only required to report when you spend time on one of the direct PLAS Process codes that is associated with the Basic CAS cost pool. See Section 3, Pages 10-13 for a complete list of all PLAS Process Codes and their respective Cost Pools.

THE FOLLOWING GENERAL REPORTING GROUNDRULES APPLY:

- All PLAS Process codes are automatically aligned to the appropriate unit cost pool, as listed in Section 3 of this Guide. Users **will not** have to select the particular DCMC Unit Cost pool they are supporting, rather PLAS will display that information in the Cost Pool column based on the PLAS process code selected**.**

- Contract kind is a mandatory field entry when selecting a process that is mapped to the Basic CAS group of pools. Users **will** have to select the contract kind unit cost pool when performing a Basic CAS function. They will be prompted to select a contract kind from the Contract Kind column that the Basic CAS effort supported. PLAS will not allow you to save your entries unless the information in the Contract Kind column is completed. To refresh your memory, see Section 3 of this Guide to see which processes map to the Basic CAS group of pools.

- If the specific contract kind is not known, determine what the likely code should be by using the **Contract Kind Guidelines - How Do I Know One When I See It?** listed in Section 4 of this Guide. Do not guess what the contract kind is; wrong guesses will significantly distort unit cost data. Seek assistance in those unusual circumstances.

- Code 00 – Basic CAS for BOAs/IDIQs (Other) is **NOT** a catch-all or unknown. Rather, it is a specific grouping of contract kinds. Because these kinds of contracts are few (e.g., Basic Ordering Agreements, Indefinite Delivery/Indefinite Quantity Contracts), it is not expected that this code will be frequently used.

- For work performed on a subcontract or delegation in support of a prime at another DCMC location, or for work performed on the prime contract for single-function delegations (e.g. QA-only), select the Subcontract/ Delegations contract kind option, Code 11.

- For work performed which supports multiple contracts covering multiple contract kinds (e.g. review of contractor common processes, review of rate factors, monitoring of costs, technical systems reviews, safety, and administrative high-volume items such as DD250 input and abstract review), select the Not Specific to One Contract contract kind option, Code 12.

- If the specific PLAS process code being performed involves work in support of a reimbursable contract, select the appropriate contract kind. Normal rules for reporting reimbursable DCNs continue to apply.

- Grants, Cooperative Agreements, and Other Transactions are unique. The contractual instrument should be reviewed to see what it intends, and assigned to the appropriate contract kind.

- Indirect processes, by definition, cannot be related to a specific contract kind. Rather, they form the general and administrative costs needed to support DCMC operations, and they will automatically be mapped to the General Management unit cost pool.

- Similarly, processes in support of Precontract Activities, System Reviews, Mandatory Product Audits, and Other CAS (Contingency CAS), will also be automatically mapped to the appropriate unit cost pool.

NOTE: Unit Cost reporting is not expected to measurably increase the time required to report PLAS data; you should also know that in the event you require additional lines on the TimeCard Screen for any one day, PLAS now can accept up to 20 lines of input.

SECTION 6: CHARGING TO TRAVEL AND TRAINING CODES

SECTION OVERVIEW: This section will introduce DCMC employees to new procedures for reporting Travel and Training.

SECTION OBJECTIVES:

- Learn why this change is necessary
- Understand how to report accurately
- Reinforce ABC Accounting concepts
- Provide 'Reminders' for proper reporting

CHANGES IN REPORTING TRAVEL & TRAINING

DCMC's FY98 Unit Cost system also requires changes in the way hours expended for Travel and Training are reported. Travel and Training are significant components of our cost of doing business. In many cases, Travel and Training directly support our ability to provide quality products and services to DCMC customers; in other cases, performing Travel and participating in Training indirectly support the DCMC mission. In both cases, it is important that these costs be associated with the particular product or group of products that benefit from the Travel or Training, and that they be included in the Unit Cost calculation. Calculating cost per unit in this way is called Activity-Based Cost (ABC) Management, because ***all of the costs associated with all of the activities associated with producing the output are included.*** Unit Cost is a form of ABC Management.

A side benefit of the new reporting approach is that we will no longer require Travel time to be reported by PLAS Process code; instead, we will align these costs with each of the primary Unit Cost pools. Reporting hours for Training will be similar to the methods used previously, however new groundrules are provided to allow you to properly select the correct Unit Cost pool for accurate reporting. As always, only those Travel and Training hours expended during your normal paid tour of duty are eligible for reporting in PLAS.

REPORTING TRAVEL TIME:

No more Travel Codes for each process! Under the current system each employee who travels in order to perform their duties must enter the appropriate PLAS Travel process code ("T" Code) corresponding to the specific PLAS Process code being supported. In FY98 there will be

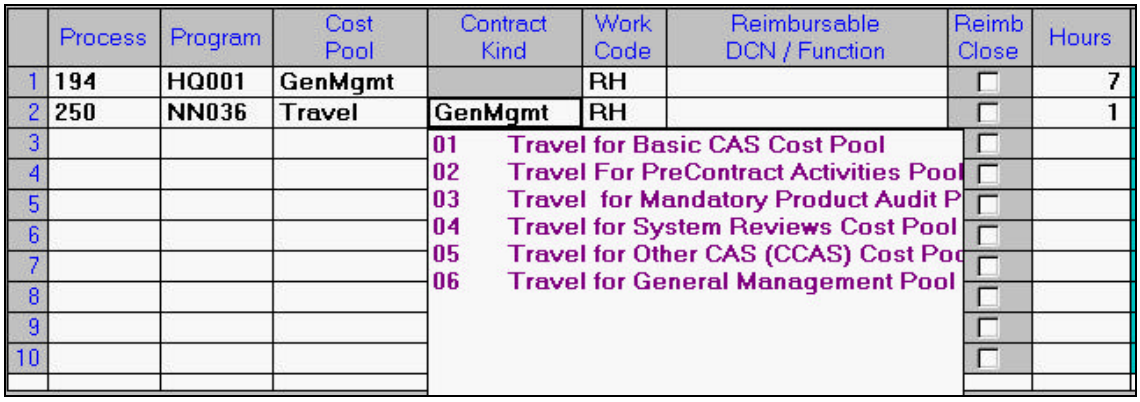
only a single process code for all travel hours expended (PLAS Process Code 250), for both direct and indirect processes.

To associate your travel with the proper Unit Cost pool, PLAS has been changed to permit assignment of the appropriate cost pool each time travel charges are recorded. During Timecard entry, PLAS will automatically prompt you to select the cost pool that the travel supported.

REMINDER: One of the system upgrades for FY98 Unit Cost is that PLAS will tell you which cost pool you are working in each time you record hours to a PLAS Process Code. Since most employees record Travel on the same day they perform the processes they traveled for, PLAS will display the cost pool names of all process charges made that day, right on the Timecard Screen! You may simply refer to that information to select the appropriate DCMC cost pool for your Travel hours.

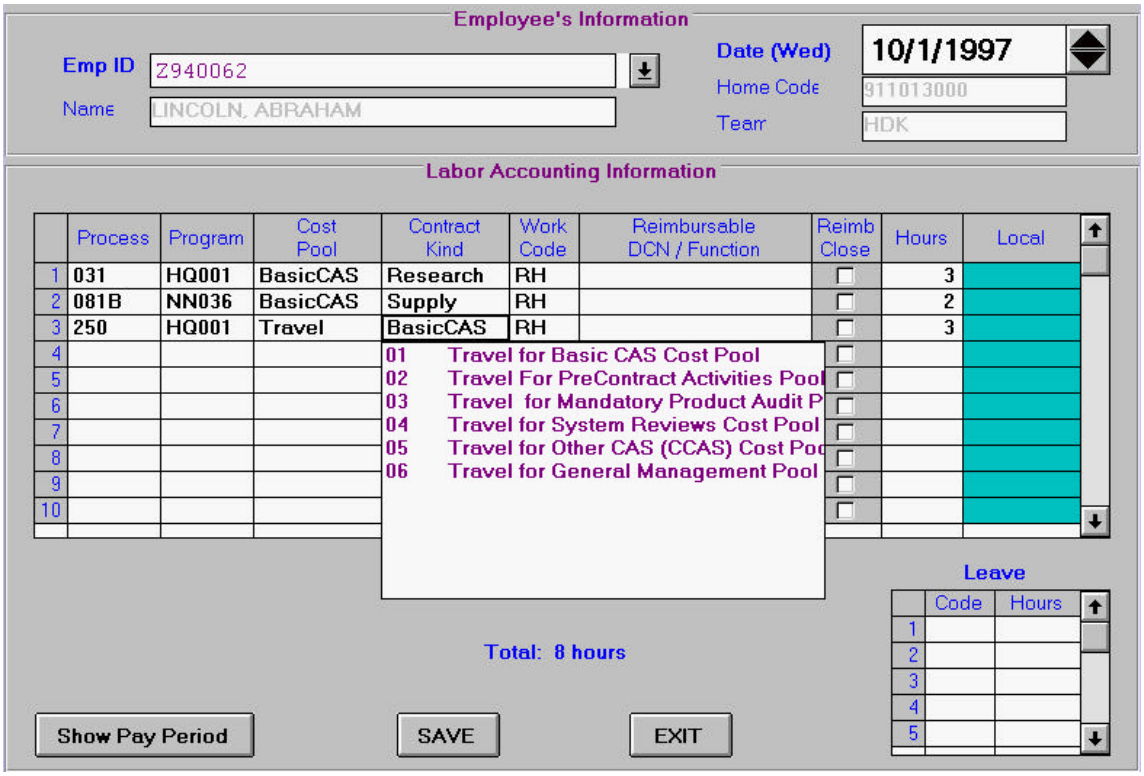
HOW DO I REPORT?

When the PLAS Process code for Travel is selected, the user will be prompted to select one of the DCMC Unit Cost pools that the travel effort supported. PLAS will not allow you to save your entries unless the information in the Contract Kind column is completed!



When the PLAS Travel code (250) is selected, PLAS's Cost Pool Column automatically displays "Travel" as in the example above. Note that the Contract Kind Column will NOT be greyed out, indicating that an entry is required. Double-clicking on the travel line in the Contract Kind column opens a list containing the names for each of the primary DCMC cost pools. Select the correct pool name to complete your entry.

SAMPLE TIMECARD SCREEN SHOWING TRAVEL HOUR REPORTING



This example shows 3 hours expended on a Post Award Orientation Conference (PLAS Code 031), 2 hours on Contract Delivery Surveillance (PLAS Code 081B), and 3 hours of Travel (PLAS Code 250). Note that PLAS displays the "Basic CAS" Unit Cost pool in the Cost Pool column for both process codes 031 and 081B, so the proper code to select for the 3 hours of Travel is also - Basic CAS.

REMINDER: When a single Travel event is performed which supports processes in more than one DCMC Unit Cost pool, you will be required to allocate the overall Travel time to each of the Unit Cost pools involved. In these instances, add additional line entries to process code 250 for each pool. This rule applies to Travel associated with both Direct and Indirect PLAS Processes.

REPORTING TRAINING TIME:

Training hours are reported similar to Travel effort in that they too must be associated with the appropriate Unit Cost pool for accurate Unit Cost calculations using ABC principles. A significant difference in reporting Training is there will usually be more than one PLAS Process code for recording Training effort, and there may be multiple PLAS Program Codes that apply. These extra codes are used to break out the type of Training involvement, i.e., attending versus developing courses, etc..

For Unit Cost reporting, the proper Unit Cost pool to report your Training time to will always be directly determined by the <u>subject matter</u> of the Training. The proper Unit Cost pool can also be derived from the subject matter of the PLAS processes involved by following the approach in the box below:

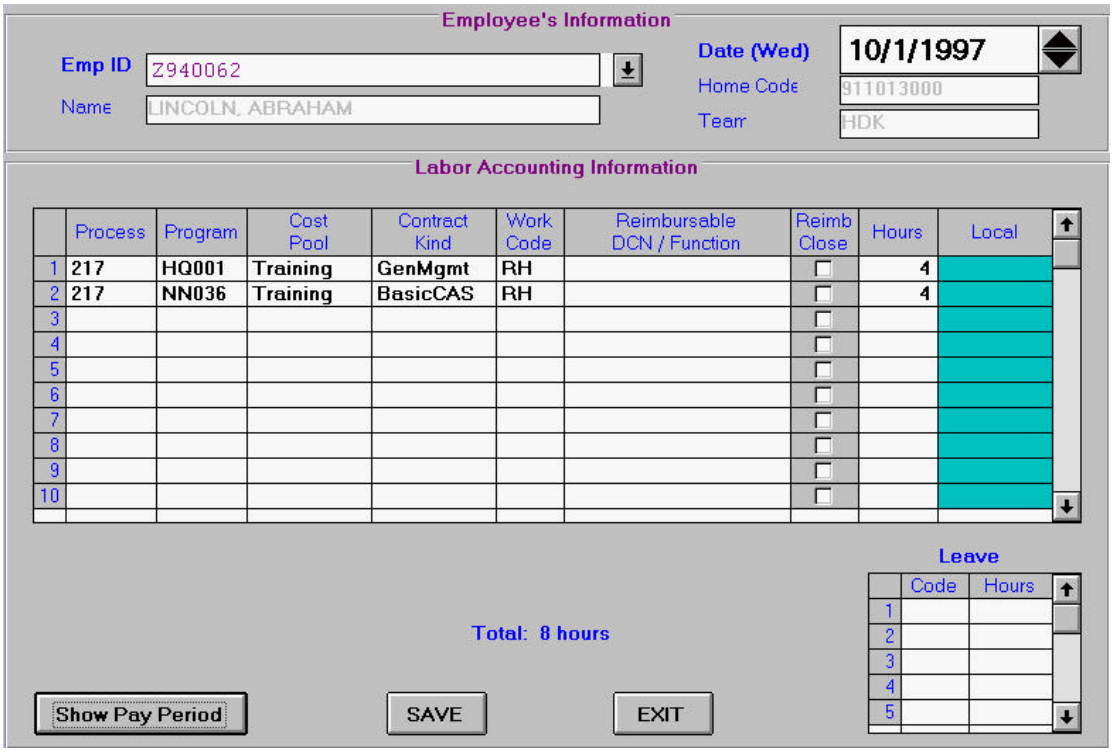
REMINDER: An easy way to identify the proper Unit Cost pool for charging Training hours is to identify the Unit Cost Product/Service code aligned with the ***<u>PLAS Process code</u>*** you would have charged to if you were actually ***performing the process*** instead of ***Training on the process***.

Follow this simple three-step approach:

1. Click on the PLAS Process code most closely related to your Training,
2. Note which cost pool name PLAS displays in the Cost Pool column on the Timecard Screen
3. Report your training to the same Unit Cost pool!

Remember when the PLAS Process code for training is selected, the user must select one of the primary DCMC cost pools that the training effort supported. PLAS will not allow you to save your entries unless the information in the Contract Kind column is complete! Refer to Section 3: Unit Cost Pools, for a complete mapping of PLAS Process codes to Unit Cost pools.

HOW DO I REPORT MY TRAINING:



In the above example, the employee had training all day taking two separate courses. One course was a 4 hour class on using PowerPlay (COGNOS brand decision support software) to retrieve METRICS data, and the other was to attend ALERTS training.

Here's the Logic for determining how to report accurately:

1. PowerPlay is a PC-based commercial software product; it is not a DCMC corporate ADP application, nor was it specifically targeted for use in performing an identifiable DCMC direct mission process. It is in fact a general purpose tool designed to improve skills in data analysis, such as those used in 'Special Projects and Data Collection', which is PLAS Process 192. If you check the Section 3 list of Unit Cost Pools, you will find Process code 192 aligned with the General Management Unit Cost pool. **Therefore, Training in PowerPlay can be associated with the General Management cost pool as well.** Note that you would arrive at the same conclusion if you had identified PowerPlay as a tool for Plans and Policy Deployment, Formulate/Execute Budget, or Assessment Architecture Process - all of these choices would have resulted in a charge to the General Management Unit Cost pool.

2. ALERTS Training is specifically aimed at improving our ability to oversee Contract Delivery Surveillance. As such, Training in ALERTS is associated with PLAS Process code 081B, which is one of the processes associated with the Basic CAS Unit Cost pool, as listed in Section 3.

ADDITIONAL TRAINING GUIDELINES:

- The majority of All DAWIA/DAU Certification Training, course development, and most other direct mission Training courses will be associated with the Basic CAS pool. ***This is because most of DCMC's mission PLAS Process codes fall into the Basic CAS pool.***

- A few courses specifically related to Preaward Surveys, including automated systems for Preaward Surveys (PASS and some METRICS applications) and QPL/Early CAS will be associated with the Pre-Contract Activities pool. ***This is because there are few courses offered which are associated with these PLAS Process codes.***

- Courses associated with Unit Cost pools for Mandatory Product Audits, System Reviews, and Other CAS (Contingency CAS) will be rare. ***This is because courses addressing these specific subjects are extremely rare.***

- Courses associated with the General Management Unit Cost pool - will be very common. ***This is because all <u>generalized</u> Office Automation (i.e., Microsoft Word, Excel, etc), employee skill development, team building, and supervisory development courses relate to DCMC's Indirect PLAS Processes.***

- Classroom training developed to deploy DCMC mission specific ADP applications, such as ALERTS, TAMS, PCARSS - is to be charged to the appropriate training process codes. Note that charges to training often requires use of various PLAS Program Codes to flag those charges with additional information, such as DAU/DAWIA required training, or to associate the training effort with a particular Performance Plan Task or Goal.

REMINDER: The following points apply when reporting Training:

- Training is normally characterized by leaving your workplace to attend a course of instruction, however most computer-based-training (CBT) programs also qualify as Training. A formal DD Form 1556 is not required to qualify as 'training'.

- On-the-job training (OJT) is reported as part of performing the process; it is not reported as Training.

SECTION 7: REPORTS AND DATA ANALYSIS

SECTION OVERVIEW: This section will introduce DCMC employees to Unit Cost reports and data analysis.

SECTION OBJECTIVES:

- Identify various Unit Cost reports
- Explain the importance of accurate PLAS data entry
- Provide helpful reference tools

Reports on various data inputs, including PLAS labor hour information, cost data from the DCMC Cost Accounting System, and output units from METRICS, will be produced from PowerPlay and Impromptu queries. Reports other than those provided in PLAS will be satisfied via the COGNOS PowerPlay decision support software package available to all DCMC employees. This powerful package allows users to take advantage of the natural "drill down" categories in the PLAS database.

District/CAO Commanders, Managers, Supervisors, PLAS Administrators, and Unit Cost Administrators should read and become familiar with **Unit Cost Data Credibility & Pre-Test Lessons Learned**, which will be forwarded under separate cover. This document provides useful tips to help validate the accuracy of the information entered into PLAS. In addition, the pre-test CAOs developed standardized COGNOS report formats, which are available on the PLAS Program Management Center Home Page along with simplified instructions on the use of those reports.

As with all of the information to be entered into PLAS, for unit cost information to be useful, it must be reported correctly.

SECTION 8: HELP/REFERENCE

Address Unit Cost questions to:

- Your local Unit Cost Administrator
- DCMC Unit Cost Team
- E-Mail: Unit Cost@hq.dla.mil

Address PLAS questions to:

- Your local PLAS Administrator
- PLAS Help on-line
- PLAS Program Management Center
- E-Mail: PLASHELP or plashelp@chiaolink.dcmdc.dla.mil
- Phone: 1-888-PLASINFO or Commercial (773) 825-6591 or DSN 930-6591
- Web address: www.plas.dcmdc.dla.mil